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## ThyssenKrupp and Outokumpu to combine their stainless steel businesses to create a new global leader

**Outokumpu a perfect match - Ideal combination for sustainably securing jobs and adding value - Key milestone for the continued strategic development of ThyssenKrupp**



ThyssenKrupp and Outokumpu today announced the combination of Outokumpu with Inoxum, the stainless steel unit of ThyssenKrupp, to create a new global leader in stainless steel. Agreements to this effect have been approved today by the Supervisory Board of ThyssenKrupp AG and the Outokumpu Board of Directors. The total consideration values Inoxum at approx. EUR 2.7 bn. Under the agreement, ThyssenKrupp

will obtain a 29.9 percent stake in the new company for its transfer of Inoxum. In addition, Outokumpu will pay EUR 1 bn in cash to repay ThyssenKrupp's financial receivables towards Inoxum and will assume an additional EUR 422 mm of third-party financial liabilities and pension liabilities of Inoxum (as at 30/09/2011). ThyssenKrupp will also retain financial receivables from Outokumpu worth a nominal EUR 235 mm (as at 30/09/2011).

The combination is subject to a number of conditions, including regulatory approval. As part of the transaction, Outokumpu will increase its capital. This will be subject to approval by the Outokumpu shareholders. The transaction is expected to be completed by the end of 2012.

### Companies are highly complementary

The combination will create a new global leader in stainless steel with sales of around EUR 11.8 billion (annualized pro forma figures for the 12-month period ended 30/09/2011) and more than 19,000 employees worldwide (as of 30/09/2011). The product ranges and customer segments of the two partners are highly complementary. Outokumpu is a leader in austenitic and duplex steels, which are used in the chemical and energy sectors among others. Inoxum is one of the leaders in ferritic, nickel-free steel for the automotive and white goods industries and in addition to that an important supplier of high-performance alloys, e.g. for the aircraft industry. The combination is expected to create a company with a worldwide, cost-effective and highly competitive production network for a broad range of high-quality stainless products to meet the demands of a diverse range of customer groups.

### Stable shareholder structure

The combined entity will operate under the name of Outokumpu, which will continue to be headquartered in Espoo, Finland, and listed on the NASDAQ OMX Helsinki Stock Exchange. Mika Seitovirta, Chief Executive Officer of Outokumpu, will continue as the CEO of the combined entity. As one of the main shareholders of Outokumpu following the closing of the transaction, ThyssenKrupp will seek one seat on the Outokumpu Board of Directors. Solidium, a Finnish government owned investment company with a current shareholding of 30.8 percent in Outokumpu, has committed to support the transaction by participating in the Outokumpu capital increase.

### Another step towards greater financial flexibility

"The combination of Inoxum and Outokumpu is an important milestone in the implementation of our strategic way forward," said Dr. Heinrich Hiesinger, CEO of ThyssenKrupp. "The transaction is based on a compelling industrial rationale that is expected to enable the combined entity to compete more effectively in the global marketplace. We believe that the transaction opens up a promising perspective and is therefore also in the best interest of Inoxum's employees. ThyssenKrupp will improve its financial flexibility thanks to this transaction and further sharpen its profile, bringing us one step closer to our target of a diversified industrial group."

Hiesinger added: "At this juncture I would like to express my special thanks to Clemens Iller. As CEO of the business area Stainless Global and later Inoxum, he drove forward the carve-out and consolidation resolutely, even though he knew that someone else may become CEO of the combined company. Mr. Iller will continue to head Inoxum until the closing and will then take on other duties at ThyssenKrupp."

### Sustainable prospects for employment and added value for customers and shareholders

Mika Seitovirta, Chief Executive Officer of Outokumpu, emphasized: This is a truly transformational transaction. We are forming a new global leader in stainless steel and are adding value for our customers and shareholders that neither company could realize on its own. We see considerable growth opportunities by joining forces, especially in the Americas and Asia. Outokumpu will be a highly efficient, innovative and reliable partner for its customers, and will offer enhanced stability and attractive development prospects to its employees."

Outokumpu expects the transaction to generate significant synergies. The planned synergies are to be achieved through more efficient capacity utilization in Europe, joint benefits in procurement and energy costs, as well as supply chain and sales optimization. Outokumpu plans to reduce the melting capacity via the closure of the melt shop at the German production site in Krefeld, which currently counts approximately 400 employees. The melt shop in Bochum, which currently counts 420 employees, will be preserved at least until the end of 2016 and will be reviewed for cost effectiveness during that period. In order to reduce the social impact on the employees, an agreement was reached between the negotiating partners and the employee representatives. The agreement includes rules for site and employment protection. The agreement also generally excludes compulsory redundancies until the end of 2015 for all German production sites. All German production sites of Inoxum will be preserved without restrictions at least until 2015.

The melt shop in Krefeld will be gradually shut down until the end of 2013. At least until this point in time the strip casting equipment will continue to operate. Overall, there will be an enhancement of the cold rolling facility in Krefeld, which includes the establishment of a research and development center and the transfer of an additional cold rolling volume of 70,000 to 90,000 tons per year to Krefeld and

Dillenburg. For the German sites and for the strengthening of research and development, a total amount of EUR 20 mm will be provided by 2017.

Furthermore, ThyssenKrupp has committed to offer alternative jobs within ThyssenKrupp for up to 600 of the employees in Germany currently employed at the Inoxum sites, who would otherwise be threatened by job losses.

**Portfolio divestments realized quickly**

ThyssenKrupp had decided to divest Inoxum in May 2011 as part of the group's strategic way forward. In the context of its portfolio optimization program, the group had announced the disposal of businesses for which there are stronger alternative options outside of the company. Overall, the divestment program comprises businesses with total sales of around EUR 10 billion. With the signing of the Inoxum transaction, ThyssenKrupp - after nine months only - has already signed or closed transactions comprising around 80 percent of the sales to be divested. The disposal processes for Waupaca and Tailored Blanks are also proceeding as planned.